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SUBJECT: MAY 16 MFA PRESS BRIEFING: IRAN, SCO, U.S.- CHINA
MILITARY RELATIONS, U.S. PRC BANK SANCTIONS, CHINA-JAPAN
ECS CONSULTATIONS, ZHAO YAN, RMB, SINGAPORE, MERKEL'S
VISIT, CHINA-ARAB COOPERATION FORUM

Summary

11. Key points made at the May 16 MFA press briefing are as follows:

- Beijing appreciates the positive efforts of the EU-3 to resolve the Iran nuclear issue through dialogue.
- The Shanghai Cooperation Organization (SCO) has invited leaders from all observer nations to attend the mid-June SCO Summit in Shanghai and China welcomes Iran's attendance.
- China is positively considering Admiral Fallon's invitation to observe the U.S. military exercise in Guam.
- Asked about Washington's reported discussion of sanctions against some Chinese banks involved in illicit business activities with the DPRK, the MFA spokesperson expressed opposition to sanctions or the application of pressure in handling these issues.
- The fifth round of China-Japan consultations on the East China Sea will be held May 18 in Tokyo and the decision whether to hold a foreign ministers' meeting in Qatar depends on consensus reached during bilateral discussions.
- The MFA spokesperson had no specific information to offer on the case of detained NYT researcher Zhao Yan.
- China is reforming its exchange rate regime in line with President Hu Jintao's statements during his April trip.
- The spokesperson denied any link between Singaporean Minister Mentor Lee Kwan Yu's May 10-17 visit to China and KMT Chairman Ma Ying-jeou's recent trip to Singapore.
- the first flight of the JF-17 "Xialong," a new light-weight fighter jet prototype reportedly developed jointly by China and Pakistan, took place on April 28 in Chengdu.

- German Chancellor Angela Merkel will visit Beijing and Shanghai May 21-23.

- Beijing will host the second China-Arab Cooperation Forum Ministerial Meeting May 31-June 1. End Summary.

Iran Nuclear Issue

¶2. Beijing has not yet received the official text of the EU-3 proposal but appreciates the positive efforts of the EU-3 to resolve the Iran nuclear issue through dialogue, Spokesperson Liu Jianchao stated during the regular May 16 MFA press briefing in response to the Kyodo correspondent's question on the EU plan. China hopes the European countries will present a rational, comprehensive and balanced proposal that is conducive to the realization of nonproliferation objectives, considers Iran's concerns and helps talks resume promptly. Asked to comment on the Iranian Foreign Minister's reported rejection of the EU-3 plan, Liu called on the relevant parties to make constructive efforts to launch a "new round of diplomacy" and positively respond to the proposal. These actions will promote diplomatic efforts and create conditions for a dialogue between the EU-3 and Iran. Beijing will send a representative to attend the upcoming P-5 plus one meeting in London and China remains in close contact with Iran, Liu said.

SCO Foreign Ministers Meeting, Iran Invited to Summit

¶3. Liu announced that the Shanghai Cooperation

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Organization (SCO) Summit will be held in Shanghai in mid-June. The SCO has launched an official website, www.scosummit2006.org, to offer information in Chinese, English and Russian on the June Summit. Asked whether Iran will attend the SCO Summit, Liu stated that based on the consensus reached by SCO members, leaders from all observer nations will be invited. China will respect these countries' decisions and welcomes Iran's attendance, Liu said, but would not confirm which countries have already accepted the invitation. Liu reported that the May 15 SCO Foreign Ministers' Meeting in Shanghai laid the foundation for the Summit and that the Foreign Ministers discussed security, humanitarian and other areas of cooperation. They also reached a broad consensus on counterterrorism efforts.

China Considering U.S. Invitation on Military Exercise

¶4. Asked for China's response to Admiral Fallon's invitation to the PLA to observe a U.S. military exercise in Guam, Liu commented that China welcomes U.S. efforts to promote mutual understanding and relations between the two militaries. China is positively considering the U.S. invitation, he said.

U.S. Sanctions on PRC Banks Involved with the DPRK

¶5. Questioned by the AP correspondent about Washington's reported discussion of sanctions against Chinese banks linked to DPRK proliferation and other illicit activities, Liu asserted that the Chinese Government has taken a "clear and resolute" position on nonproliferation. Beijing opposes the proliferation of weapons of mass destruction in any form and stands against any entity that conducts such activities. However, China consistently opposes using

sanctions or types of pressure to handle these issues.

China-Japan East China Sea Consultations

¶16. Liu announced that the fifth round of China-Japan consultations on the East China Sea will be held May 18 in Tokyo and attended by MFA Asian Affairs Department DG Hu Zhengyue and his Japanese counterpart, Kenichiro Sasae. The consultations will help expand consensus and narrow bilateral differences, but there is still a major gap between the two countries' positions. Remarking that this is a complicated issue, Liu said there is no expectation of a breakthrough during the upcoming round of talks. China, nonetheless, will maintain a positive attitude in order to reduce differences. Queried about the possibility of the Chinese and Japanese Foreign Ministers' meeting on the sidelines of the Asia Cooperation Dialogue (ACD) in Qatar, Liu remarked that the officials should "not meet for the sake of meeting." China hopes that bilateral consultations will lead to a consensus on this issue, he said, stressing that the decision whether to conduct the meeting depends on the results of consultations. Beijing and Tokyo maintain unimpeded channels of communication and will remain in contact on the issue.

Detained NYT Researcher Zhao Yan

¶17. Asked about reported new charges brought against detained New York Times researcher Zhao Yan, Liu said that in the past he inquired into the case but currently has no specific information to offer, adding that the question should be referred to the relevant authorities.

Exchange Rate Reform

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¶18. Asked about the recent appreciation of the RMB, Liu stated that the currency exchange rate has appreciated by 3.4 percent against the USD since last year. The value of the RMB versus the USD has both risen and decreased, reflecting both changes in the major global currencies and the RMB's resilience. China is reforming its exchange rate regime in line with President Hu Jintao's statements during his April trip, according to Liu.

Lee Kwan Yu's Visit

¶19. Asked about the link between Singaporean Minister Mentor Lee Kwan Yu's visit to China and KMT Chairman Ma Ying-jeou's recent trip to Singapore, Liu denied any connection between the two events, noting that MM Lee's May 10-17 trip was planned far in advance. Lee met with Premier Wen Jiabao and Vice President Zeng Qinghong. Liu said Lee assessed positively the state of China-Singapore relations as well as China's economic and social achievements, reiterating Singapore's commitment to its one-China policy.

China and Pakistan Launch New Fighter Jet Prototype

¶10. Asked about the recent flight of an aircraft reportedly developed jointly by China and Pakistan, Liu confirmed that the first flight of the JF-17 "Xialong," a new light-weight fighter jet prototype, took place April 28 in Chengdu. China and Pakistan maintain longstanding aviation cooperation and will

remain in contact on further joint projects in this field, he stated.

Chancellor Merkel to Visit

¶11. Liu reported that German Chancellor Angela Merkel will visit Beijing and Shanghai May 21-23. She will meet President Hu and Premier Wen and hold a joint press conference. Asked what types of economic deals are planned and whether Merkel will discuss the high-speed Maglev rail project, Liu noted that Chancellor Merkel will attend a high-tech cooperation forum and sign a series of agreements and contracts. In 2005 Germany-China trade reached 63.2 billion USD, comprising one third of total China-EU trade. China has achieved breakthroughs in the development of the Maglev, in which China is prepared to cooperate with Germany.

China-Arab Cooperation Forum

¶12. Beijing will host the second China-Arab Cooperation Forum Ministerial Meeting May 31-June 1, Liu noted. Chinese and Arab foreign ministers and the Arab League Secretary General will attend the meeting, which will discuss the "new China-Arab partnership." MFA West Asia and North African Affairs Department DG Zhai Jun will preview the forum to the press on May

¶17.
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